To: All Field Sales Personnel with Direct Account Responsibility

Due to the tight time frame we are working under for the WINSTON **No Bull** repositioning, it is necessary to ask you to contact your direct accounts before attending the Launch Meeting so that they are ready to handle the New WINSTON when it arrives.

It is critical that you fully understand the New WINSTON positioning before forming opinions or relating your thoughts to direct accounts. We would have preferred to present the positioning to you before you made trade contact but a tight time frame made this impossible. What you should know is this repositioning has been tested in Florida for over a year and it effectively reversed Winston's declines!!

Attached is the information necessary for you to present WINSTON No Bull to your direct accounts. Information includes:

- Guidelines for Minimizing Returned Goods
- Guidelines for Increasing Box Distribution
- July-December 1997 Workplan Summary
- Direct Account Fact Sheet
- UPC Information

Proper rotation at the direct account is critical so that our liability in returned goods is minimized. Please make this a top priority during your direct account coverage.

Direct Account Coverage: Begins week of 5/12/97

A step by step process which provides guidelines to minimize returned goods on the current packaging/blend is detailed on Pages 2-3 of Attachment A. However, other options may also be available. Each direct account has different ways of moving product through their warehouses.

During your first contact with the direct account, we recommend that you go through a discovery process to find out what systems/procedures can best be utilized to assist in the rotation of WINSTON. (Remember: With rotation, it's probably more effective to gain the cooperation of backroom personnel than it is to convince the manager)

Some questions you might ask:

- Who receives product into the warehouse?
- Do you work a "first in - first out" process or are the cigarettes pulled off the truck used to fill orders first?
- Is there an individual responsible for the rotation of cigarettes?
- Can a temporary, separate staging area be set up for New WINSTON that is utilized until the current blend/packaging sells through?
- What systems do you use to aid in product rotation with other products?

It is critical that a plan is put into place to minimize our liability on returned goods in all direct accounts.

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WINSTON - NO BULL

Sales Objectives/Strategies

Returned Goods/Inventory Reduction Program

- This change in the blend/packaging of our flagship brand has **major financial implications** if returned goods are not minimized. If handled incorrectly, it could cost RJR (you & me) **millions of dollars!!!** The importance of following the steps outlined below at wholesale and retail **cannot** be over-emphasized!

Steps to Reduce Inventory Levels of Current Blend/Packaging

Direct Accounts

Beginning with Direct Account contacts the week of **5/12/97**:

1. Each person with direct account responsibility will inform the account of the change in WINSTON.

2. Inform the direct account that they could begin to receive the new WINSTON packaging as early as 5/26/97.

3. Inform the direct account that all new WINSTON packaging will be in white cases (for 3 months) to assist in product rotation. It is imperative that the direct account understands that **they are responsible to ensure the current WINSTON packaging moves out first**, before they begin shipping the new WINSTON. New WINSTON's case UPC codes will remain unchanged from current codes. It is strongly recommended that every direct account create a temporary, separate staging area ("phantom slots") for the New WINSTON brand style inventories that will be held until all current product of each style is shipped to retail. This will help avoid mixing of the current and new style graphics.

4. Beginning 6/2/97, it is field sales responsibility to make **weekly coverage** on **all** direct accounts to ensure that they are properly rotating all WINSTON brand styles and that no new WINSTON product is being shipped before the current packaging is gone! Keep in mind that the timing of shipments will be different for each WINSTON brand style. Complete product rotation will take several weeks to complete.

5. Beginning with weekly coverage at direct accounts the week of June 30, 1997, where inventories of current packaging still exist (this should be minimal and on slower moving brand styles), identify a small number of high volume stores (emphasis on carton outlets) where this product can be shipped and sold through Aggressive Discounting on Current Packaging as described on page 10 of the fact book. **It is imperative that Field Sales Personnel with direct account responsibility pre-identify these high volume stores that current packaging product will be shipped to well in advance to ensure timely and planned distribution the week of June 30, 1997.**

6. In the event proper rotation is not achieved and current packaging/blend remains in inventory, contingency plans have been developed. Keep your ROU informed on remaining inventories by brand style at direct account level and report them by style by July 18, 1997. These inventories should then be shipped back to Winston-Salem after orders replacing the total inventory amount are placed. These orders must equal the amount shipped back **CARTON FOR CARTON**!!

Very Important:

Historically, some direct accounts have shipped new product, then old, then new again after a packaging change. **By following the steps outlined above at each direct account, this should be eliminated.**

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Steps to Reduce Inventory Levels of Current Blend/Packaging - continued

Special Note to Florida:
Direct accounts should continue ordering by existing case code through August 1, 1997. New product will be placed in existing cases after test product inventories have been depleted. Beginning August 4, 1997, new product should be ordered by case code numbers on page 25 of the fact book. Cases ordered beginning August 4, 1997 using new case code numbers will be shipped in white cases and will not be marked for "Florida Distribution Only".

Special Note to Oklahoma:
All Case, Carton and Pack UPC's for Select will change effective June 30, 1997, when your direct accounts will need to use the new case UPC's to place orders. June 27, 1997 will be the last date they can order current case UPC's.

Box Distribution Program - The Key to Success

In order for WINSTON's repositioning to be successful, it is imperative that we **maximize WINSTON box distribution in all outlets.** As stated previously, **65%** of WINSTON's share growth in Florida came from increases in box business.

Direct Account Steps

1. During your first call to each of your direct accounts beginning the week of 5/12/97, sell all styles (5) of WINSTON Box not currently in distribution. There is no direct account allowance to accept these brands. However, anticipated sales will increase wholesaler profits and positively impact the Partner's program. Direct account allocations have been adjusted based on forecasted needs.

2. **Do not place** orders for any new styles of WINSTON box that the direct account does not currently keep in inventory until your region management informs you that we are shipping the new version of that style. (The field will be notified by brand management when the warehouse starts to ship each new WINSTON Box brand style) **After notification, place orders**. (This will ensure that new distribution is on the new product.) If you have to determine a ship date the day you sell distribution, then use July 21, 1997 or later.

3. All direct accounts will be shipping New WINSTON Box Styles by **July 21, 1997**.

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Attachment A

July - December 1997 Workplan Summary

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	July	August	September	October	November	December
WINSTON		B2G2F	B2G2 Lighters	B2GHat		Premium TBD
CAMEL	B2G2F	B2G T-Shirt		B2G2F	B2G2F X---------->	
DORAL	B2G Flashlight		B2G1F		B2G1F X---------->	
SALEM	<----------SALEM 30¢ Sniped Product---------->					
DPC	<---------- * WINSTON, CAMEL, DORAL, SALEM, CAMEL Menthol---------->					
Supermarket Carton			D		D	
Cigarette/ Tobacco Store		W	D		D	W
Cigarette Outlet Pack	D				D	
Pricing	<---------->					

NOTE: VAP delivery dates for all WINSTON promotions should be the first week of the promotion month. You have the flexibility to stagger VAP delivery date of the second promotion in a given month.
* WINSTON DPC will begin in August.

Special VAP Payment
An additional $5 per 12m case equivalent is authorized for payment to your direct accounts for the remainder of 1997 for all WINSTON promotions to ensure that these promotions are "first out" each month.

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Direct Account Fact Sheet - Live Product

Ordering

Manufacturing begins on 5/19/97 on WINSTON brand styles as needed. New blend/packaging product could arrive as early as the week of 5/26/97. New WINSTON will be shipped as inventories of the current packaging is depleted in the bonded warehouse. Cases of new WINSTON product will be white to assist in rotation.
(Please ensure that the current WINSTON packaging moves out first)

Pricing

List pricing and terms will be the same as currents styles of WINSTON.

Product Dimensions & Weights

Configuration		Length (in)	Width (in)	Height (in)	Cube (ft3)	Weight
FF SP,LT SP, UL SP, SEL FF SP,SEL LT SP 85mm - 20's - SP - 24.8mm						
Pack		2.0625	0.84375	3.375	0.003399	0.787 oz
Carton		10.625	1.78125	3.4375	0.037649	8.67 oz
Case (Outer Dimensions)	6M	17.625	11.0625	11.125	1.255274	16.0 lbs
	12M	17.625	11.0625	21.6875	2.44708	33.5 lbs
FF 100, LT 100, UL 100, SEL FF 100, SEL LT 100 100mm - 20's - SP - 24.8mm						
Pack		2.0625	0.84375	4.0000	0.004028	0.933 oz
Carton		10.625	1.78125	4.03125	0.044152	10.13 oz
Case (Outer Dimensions)	6M	20.5625	11.0625	11.125	1.464487	21.0 lbs
	12M	20.5625	11.0625	21.6875	2.854927	39.0 lbs
LT 100 BX, UL 100 BX, SEL FF 100 BX, 98mm - 20's - CPB - 24.0 & 24.4mm						
Pack		2.21875	0.9375	3.96875	0.004777	1.067 oz
Carton		11.125	1.875	4.0625	0.04904	11.47 oz
Case (Outer Dimensions)	6M	20.625	11.6875	11.6875	1.630397	22.0 lbs
	12M	20.625	11.6875	22.8125	3.182326	44.0 lbs
SEL SLIM LT 100						
98mm - 20's - CPB - 22.5mm Slims						
Pack		2.09375	0.84375	3.96875	0.004	0.947 oz
Carton		10.5	1.78125	4.03125	0.044	10.27 oz
Case (Outer Dimensions)	6M	20.6875	11.0625	11.0625	1.465112	20.5 lbs
	12M	20.5625	10.9375	21.5	2.798264	39.5 lbs
FF BX, LT BX, UL BX, SEL FF BX, SEL LT BX 83mm - 20's - CPB - 24.4mm						
Pack		2.2047	0.9055	3.4055	0.003934	0.933 oz
Carton		11.125	1.875	3.4375	0.041495	10.13 oz
Case (Outer Dimensions)	6M	17.625	11.5625	11.625	1.370977	19.8 lbs
	12M	17.625	11.5625	22.75	2.682987	39.0 lbs

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UPC Information

Brand/Style	Pack UPC	Non Sup. Pack UPC	Carton UPC	Case UPC
Base WINSTON				
FF85	0 123103 9	0 12300 00010 9	0 12300 11013 6	000 12300 11012 9
FF100	0 123143 7	0 12300 00014 7	0 12300 11413 4	000 12300 11412 7
FFCP83	0 123123 3	0 12300 00012 3	0 12300 11213 0	000 12300 11212 3
LT85	0 123113 6	0 12300 00011 6	0 12300 11113 3	000 12300 11112 6
LT100	0 123133 0	0 12300 00013 0	0 12300 11313 7	000 12300 11312 0
LTCP83	0 123193 2	0 12300 00019 2	0 12300 11913 9	000 12300 11906 1
LTCP100	0 123593 8	0 12300 00059 8	0 12300 15913 5	000 12300 15906 7
UL85	0 123173 8	0 12300 00017 8	0 12300 11713 5	000 12300 11706 7
UL100	0 123183 5	0 12300 00018 5	0 12300 11813 2	000 12300 11806 4
ULCP83	0 12300 70399 4	0 12300 70399 4	0 12300 70313 0	000 12300 70306 2
ULCP100	0 12300 70499 1	0 12300 70499 1	0 12300 70413 7	000 12300 70406 9
Select				
FF85	0 12300 70999 6	0 12300 70999 6	0 12300 70913 2	000 12300 70906 4
FF100	0 12300 22463 5	0 12300 22463 5	0 12300 22464 2	000 12300 22465 9
FFCP83	0 12300 71099 2	0 12300 71099 2	0 12300 71013 8	000 12300 71006 0
FFCP100	0 12300 22185 6	0 12300 22185 6	0 12300 22186 3	000 12300 22187 0
LT85	0 12300 71199 9	0 12300 71199 9	0 12300 71113 5	000 12300 71106 7
LT100	0 12300 20276 3	0 12300 20276 3	0 12300 20277 0	000 12300 20278 7
LTCP83	0 12300 71299 6	0 12300 71299 6	0 12300 71213 2	000 12300 71206 4
Slim LTCP100	1 12300 20165 0	1 12300 20165 0	1 12300 20166 7	000 12300 20167 4

Note: The 3 digit extensions of the case UPC codes will be changed from "000" to aid in tracking internally but will not affect tracking at direct account level.

Tar & Nicotine

No Bull WINSTON tar and nicotine levels are not significantly different from the current WINSTON.

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